

From: Sue Longson [suelongson@sonepco.com]
Sent: Wednesday, April 01, 2009 6:39 PM
To: _Regulatory Comments
Subject: Susanne B. Longson - Comments on Advanced Notice of Proposed Rulemaking for Part 704

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

April 1, 2009

Re: Comments on Advanced Notice of Proposed Rulemaking for Part 704

While all comments are superfluous at this juncture due to the recent telling actions of the Agency, I feel that it is important for the movement to continue to participate in our democratically controlled system. Many small voices whispering in unison can be heard for miles.

It is with great concern that I am writing at this time. My grandfather started working in the movement shortly after the enabling legislation, organizing in excess of 400 credit unions throughout his career with the Agency. My parents worked in the movement throughout their working lives, always on the leading edge of new services and ideas. I have continued in my family's path by working in the movement my entire life. Credit unions are in my family's bones – it is what we do and who we are. I am concerned that the recent actions of the agency will do more to wrought destruction on the movement than anything that has come before; and, it saddens me. Credit unions will needlessly fail. Our movement has been shrinking for years as the competitive, operational, and regulatory demands become too great for a smaller financial institution to meet. Re-capitalizing the system, writing down capital, increasing the premium while at the same time coping with unprecedented economic conditions will be the death knell for many credit unions – small, medium and large. It is all quite unnecessary as the Agency has within its purview the ability to provide substantial relief. The actions to date are at best cavalier and at worst unconscionable.

During my career I have been fortunate to have always had a close working relationship with WesCorp FCU. Many of the innovative products and services that WesCorp provides were tested in the small credit unions that I ran at the time. WesCorp has always been on the forefront of providing services that will be of benefit to small credit unions. It is WesCorp's commitment to the movement, their dedication, and their resources that have enabled many small credit unions to survive. One of the major purposes and benefits of our corporate system is the support that is provided to the thousands of small credit unions throughout the country. It enables us to focus on providing service to our members – which is what we should be about. CEOs of smaller financial institutions are required to have knowledge in too many fields - relying on the Corporate to perform many tasks alleviates a great burden. The yields provided on investments are phenomenal and could not be obtained elsewhere without great time and study. The resources – time, money, and expertise – saved through the utilization of the Corporate payment systems are untold. While these services are life-saving benefits for small credit unions, they provide excellent economies of scale for the larger cooperative, which, in turn, allows them to focus on providing other benefits of importance to their members.

No matter the size of the credit union – the corporate system provides a benefit that cannot be obtained anywhere else in the marketplace.

Payment System Proposals

Separating functions – investments from payment systems - will create higher costs for credit unions. The investment function of the Corporate underwrites a lot of the costs involved with the payment system function. The processing costs to credit unions would increase if payment systems were separated out. Small credit unions cannot afford any additional costs, particularly at this difficult time in our nation's history. I have worked with the Federal Reserve for ACH and item processing. Their costs are higher and the service provided negligible. Credit unions would be forced into hiring additional personnel just to handle the increased workload and complexity of transactions. It would not be possible to do in a small credit union.

Corporates could consider further aggregation of services to achieve greater efficiencies. I do not want to force credit unions to go outside the system to obtain these services. It is unwarranted, unnecessary, and prohibitively expensive.

Field of Membership and Capital

I think that a credit union should have to provide capital to a Corporate with which they wish to do business. This is a cooperative movement and those that wish to participate should participate equally. No one should reap the rewards of membership without full participation. Further, Corporates should have Risk Based and Secondary Capital as a means to manage capital when dealing with asset fluctuations that increase with their member credit union's current liquidity needs.

With these capital requirements in place, Field of Membership restrictions would be unnecessary as market conditions would limit the growth of a Corporate credit union.

Permissible Investments

Corporates should absolutely have more investment authority than natural person credit unions. That is one of their main purposes. Corporates have the resources and expertise to make the investments that NPCUs don't; and they, in turn, pass along the extra earnings to their members in the form of great rates and reduced pricing on services – that's how a credit union works! If Corporates were limited in their investments, there would be no purpose for them. Further, they would be unable to earn the necessary spread to pass along to members in the form of higher dividends or to underwrite the additional costs of providing payment system services.

Corporate Governance

The make-up of a credit union's Board of Directors should be left to the Corporate to decide. If a Corporate feels that term limits, classifications of Directors, and "appropriate levels of experience," would enhance the Board of Directors then that's what is most appropriate for that Corporate. Credit unions are a cooperative financial institution and these considerations are at the base of democracy – representation. The Agency should not regulate representation; it should be left to the members to determine.

Having outside “expertise” could actually harm the credit union. As an example: if a Corporate had an Investment Banker on the Board of Directors during the last five years, more risk might have been taken on the balance sheet as a result. It is possible, and highly probable.

Credit Unions are cooperatives and the Board of Directors should be representative of the members.

In closing, I would like to thank the Board for the opportunity to provide my views, concerns and recommendations. I wish with all my heart that the Board will listen to the credit union movement and not further its precipitate agenda to the detriment of all.

Sincerely,

Susanne B. Longson

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